

Message Text

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60

ACTION EA-10

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R 250045Z JAN 75

FM AMCONSUL HONG KONG

TO SECSTATE WASHDC 3602

INFO USLO PEKING

AMEMBASSY TOKYO

AMEMBASSY BONN

LIMITED OFFICIAL USE HONG KONG 922

COMMERCIALLY SENSITIVE

BONN PLEASE PASS CONSULATES AS APPROPRIATE

E.O. 11652: N/A

TAGS: ETRD, CH, GW, EEWT EMAE

SUBJ: FOREIGN EXHIBITIONS - GERMAN FAIR TO FIZZLE?

SUMMARY: THE COMING WEST GERMAN INDUSTRIAL EXHIBITION IN PEKING MAY BE A BUST IF MORE GERMAN FIRMS FOLLOW THE LEAD OF FRANKFURT'S DEGUSSA COMPANY IN REFUSING CHINA'S REQUEST TO EXHIBIT HIGH TECHNOLOGY PRODUCTS BECAUSE OF FEAR THAT CHINA MERELY INTENDS TO COPY THEM, AS DEGUSSA ALLEGES IT HAS DONE IN THE PAST. EVEN IF DEGUSSA DECIDES NOT TO PARTICIPATE IN THE EXHIBITION, FUTURE SALES, WHICH HAVE GREAT POTENTIAL, WILL NOT BE HURT. BAYER CHEMICALS ALSO SHARES THIS CONCERN ABOUT LACK OF LEGAL CONTROL THROUGH RESPECTED PATENT RIGHTS. END SUMMARY.

1. THE WEST GERMAN INDUSTRIAL EXHIBITION SCHEDULED TO OPEN IN PEKING LATE THIS YEAR MAY BE A BUST IF MORE GERMAN FIRMS FOLLOW THE LEAD OF FRANKFURT'S DEGUSSA COMPANY WHICH
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SELLS METALS, INSTRUMENTS, ANC CHEMICALS. THE

FIRM'S HONG KONG MANAGER COMMENTED RECENTLY THAT ALTHOUGH THE PRC SPECIFICALLY REQUESTED DEGUSSA TO EXHIBIT ITS MOST SOPHISTICATED PRODUCTS, IT WILL NOT COMPLY. EVEN IF DEGUSSA DECIDES, AS IT IS NOW CONSIDERING, NOT TO EXHIBIT AT ALL, FUTURE SALES TO THE PRC, WHICH HAVE GREAT POTENTIAL FOR HIS FIRM, WOULD NOT BE HURT ACCORDING TO THE MANAGER.

2. DEGUSSA'S FEAR THAT THE PRC WILL COPY, MANUFACTURE, AND PERHAPS EXPORT, DEGUSSA'S PRODUCTS IS BASED ON A PRIOR EXPERIENCE. IN SPRING 1973, DEGUSSA SOLD MACHIMPEX A FURNACE (POSSIBLY USED IN CHEMICAL MANUFACTURING). AT THE FALL 1973 CANTON FAIR, JEBSEN'S TRADING COMPANY (DEGUSSA'S AGENTS THEN) PHOTOGRAPHED A PRC-MADE FURNACE WHICH DEGUSSA STATES IS AN EXACT COPY, EVEN DOWN TO FOUR HOLES AT THE LOWER FRONT SECTION WHICH SERVE NO FUNCTIONAL PURPOSE, BUT WHICH ORIGINALLY HELD THE SCREWS FASTENING THE DEGUSSA NAME PLATE.

3. MOREOVER, THE MANAGER OF THE GERMAN BAYER COMPANY'S TEXTILE DYES DEPARTMENT SAYS THAT THE PRC COPIED IN THREE YEARS A TUB KNITTING MACHINE MANUFACTURED BY SULZER OF SWITZERLAND. BUT THE HIGHEST TECHNOLOGY ITEMS ARE NOT ALWAYS COPIED. FOR EXAMPLE, CHINA COPIED ITALIAN KNITTING AND WEAVING MACHINES WHICH WERE TEN YEARS BEHIND STATE-OF-THE-ART BUT HIGHLY RELIABLE AND EASILY MAINTAINED. BAYER'S POLICY IS TO RESTRICT LICENSING AGREEMENTS WITH CHINA BECAUSE OF LACK OF BAYER LEGAL CONTROL OVER THE PRODUCTS THROUGH RESPECTED PATENT RIGHTS. FOR EXAMPLE, BAYER HAS AGREED WITH ITS FOUR WORLD-WIDE LICENSEES OF A PARTICULAR CHEMICAL ONLY TO SELL IT TO CHINA, BUT NOT TO SUB-LICENSE MANUFACTURE.

4. BY CONTRAST, THE OBSERVATIONS OF THE GERMAN OTTO WOLFF COMPANY'S MANAGER THAT THE TEXTILE MACHINERY HE SAW ON A RECENT TRIP TO CHINA WAS ENTIRELY CHINESE DESIGNED AND MANUFACTURED IS TO A CERTAIN EXTENT IN CONFLICT WITH THE ABOVE STATEMENTS. THE MACHINERY HE SAW, THOUGH, WAS APPARENTLY IN COMMUNES, WHILE THE COPIED MACHINES, BEING MORE SOPHISTICATED, MIGHT BE USED IN CITIES.

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5. IN SHORT, THE DEGUSSA AND BAYER MANAGERS SAID THAT AFACTOR IN THEIR COMPANY'S MARKETING STRATEGY TOWARD THE PRC IS TO REFRAIN FROM SELLING ITAL EQUIPMENT AND TECHNOLOGY TO THE GREATEST EXTENT POSSIBLE.

6. WHILE WE DO NOT HAVE EVIDENCE IMMEDIATELY AT HAND TO CONFIRM THESE PARTICULAR ACCOUNTS OF COPYING, THEY ARE WIDELY BELIEVED WITHIN THE GERMAN BUSINESS

COMMUNITY IN HONG KONG, AND THAT DOES NOT BODE WELL
FOR THE SUCCESS OF THE GERMAN EXHIBITION.

7. OBVIOUSLY, THE ABOVE INFORMATION IS COM-
MERCIALY SENSITIVE AND SHOULD BE HELD WITHIN THE USG.
CROSS

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